



Maryland Health Enterprise Zone (HEZ) Employer Hiring Tax Credit

What is the HEZ Employer Hiring Tax Credit?

Maryland's Health Enterprise Zone (HEZ) Employer Hiring Tax Credit program provides a refundable state income tax credit to a Qualifying HEZ Employer. The HEZ employer may apply for tax credit in an amount of \$10,000 to be taken over two years. This credit is distributed in two installments of \$5,000. Tax credits are more valuable than deductions because credits are subtracted directly from income tax liability.

Who may apply?

A Qualifying HEZ Employer that has hired a qualified employee(s) may apply for this tax credit.

- (a) The HEZ Employer must provide one or more of the following services in HEZ:
- (i) Primary care, including obstetrics, gynecological services, pediatric services, or geriatric services;
 - (ii) Behavioral health services, including mental health or alcohol and substance abuse services; or
 - (iii) Dental services.
- (b) A Maryland HEZ Employer includes a corporation, business trust, partnership, limited liability company, association, or any other legal or commercial entity that a health care practitioner owns in whole or in part. For-profit and non-profit entities are eligible.

What does the qualified employee mean?

The "Qualified Employee" is a HEZ practitioner, community health worker, or interpreter who:

- (a) Provides direct support to a HEZ practitioner; and
- (b) Expands access to services in a HEZ.

What does the qualified position mean?

The "Qualified Position" a qualified employee position that:

- (a) Pays at least 150% of the federal minimum wage;
- (b) Is a full-time and of indefinite duration;
- (c) Is located in a Health Enterprise Zone;
- (d) Is newly created, as a result of the establishment or expansion of services in a Health Enterprise Zone; and
- (e) Is filled for a period no less than 12 months.



What is a full-time job?

A full-time position requires at least 480 hours of an employee's time during at least 24 weeks in a 6-month period. This is an average workweek of 35 hours per week.

I am paying my qualified employees 150% of the current federal minimum wage. What if the federal minimum wage increases?

The tax credit statute defines a qualified position as full-time and paying 150% of federal minimum wage. Therefore, if the federal minimum wage increases, the wage required for a position to continue to be qualified also increases. For the HEZ Employer Hiring tax credit, a position must be continued to be qualified until the entire tax credit has been taken.

How does my practice become certified for the HEZ Employer Hiring Tax Credit?

To qualify for the HEZ Employer Hiring Tax Credit, a HEZ practitioner must be certified by DHMH as a qualified HEZ practitioner eligible for the tax credits. The process includes the following steps:

- (1) The Qualifying HEZ Employer must submit a preliminary application to DHMH. If, based on the information in the application, it appears the HEZ employer will meet the minimum requirements of the HEZ Employer Hiring Tax Credit statute, the DHMH will issue a Preliminary Certificate of Eligibility to the HEZ practitioner.
- (2) Once the Qualifying HEZ Employer meets the minimum requirements of the statute (including creating qualified jobs and having them FILLED for 12 months), the HEZ Employer must submit a final application to DHMH. If the HEZ employer qualifies, DHMH will issue a Final Certificate of Eligibility.
- (3) A copy of the Final Certificate of Eligibility must be attached to the Qualifying HEZ Employer's tax return (Form 500CR) when the tax credit is claimed.
- (4) A 24-month verification application must be filled out to receive the second year tax credit (after the qualified jobs have been FILLED for 24 months)

How do I claim the HEZ Employer Hiring Tax Credit?

Maryland Tax Form 500CR is used to claim this credit. The business must file a tax return with the Comptroller of Maryland for the tax year in which the newly hired employee becomes a "qualified employee" and attach a copy of the certification from DHMH. Also, note that the credit is taken against the state income tax only. It is not taken against the county income tax "add-on."

More information for tax forms and tax return instructions, please visit the Comptroller of Maryland website at <http://taxes.marylandtaxes.com>



What if a HEZ practitioner receiving the tax credit must reduce its workforce?

The purpose of this tax credit is to generate new, permanent, full-time jobs in the HEZ. Therefore, the credit requires that jobs for which the credit is claimed must remain filled for at least 24 months in order to receive the full tax credit. If the number of jobs for which the credit is taken falls, the tax credit must be recomputed and recaptured on a prorated basis, based on the period of time that the qualified position was filled. The HEZ practitioner who received tax credit must repay any amount of the credit that may have already been refunded to the practitioner that exceeds the amount recomputed.

If the employee was hired before January 1, 2013, would I be eligible for the tax credit?

No, the HEZ employer would not. Qualified employees must be hired after the HEZ's were established on January 1, 2013.

What records must a HEZ practitioner provide and maintain?

The Qualifying HEZ Employer must provide information verifying the new job it created when it applies for the Final Certification Eligibility and also provide information verifying the new job still exists before claiming the second year tax credit.

How is funding allocated for the hiring tax credit?

Tax credits are subject to the availability of funds for tax credits in the Health Enterprise Zone's budget, and will be awarded on a first-come, first-served basis, as determined by DHMH in its sole discretion.

Is business information submitted to the Department confidential?

Generally yes, subject to the provisions of the Maryland Public Information Act and of Maryland Code, Tax-General Article, Title 13, Subtitle 2 [Confidentiality].”

Who should I contact with more questions?

Please contact Maura Dwyer, Health Enterprise Zone Initiative at maura.dwyer@maryland.gov